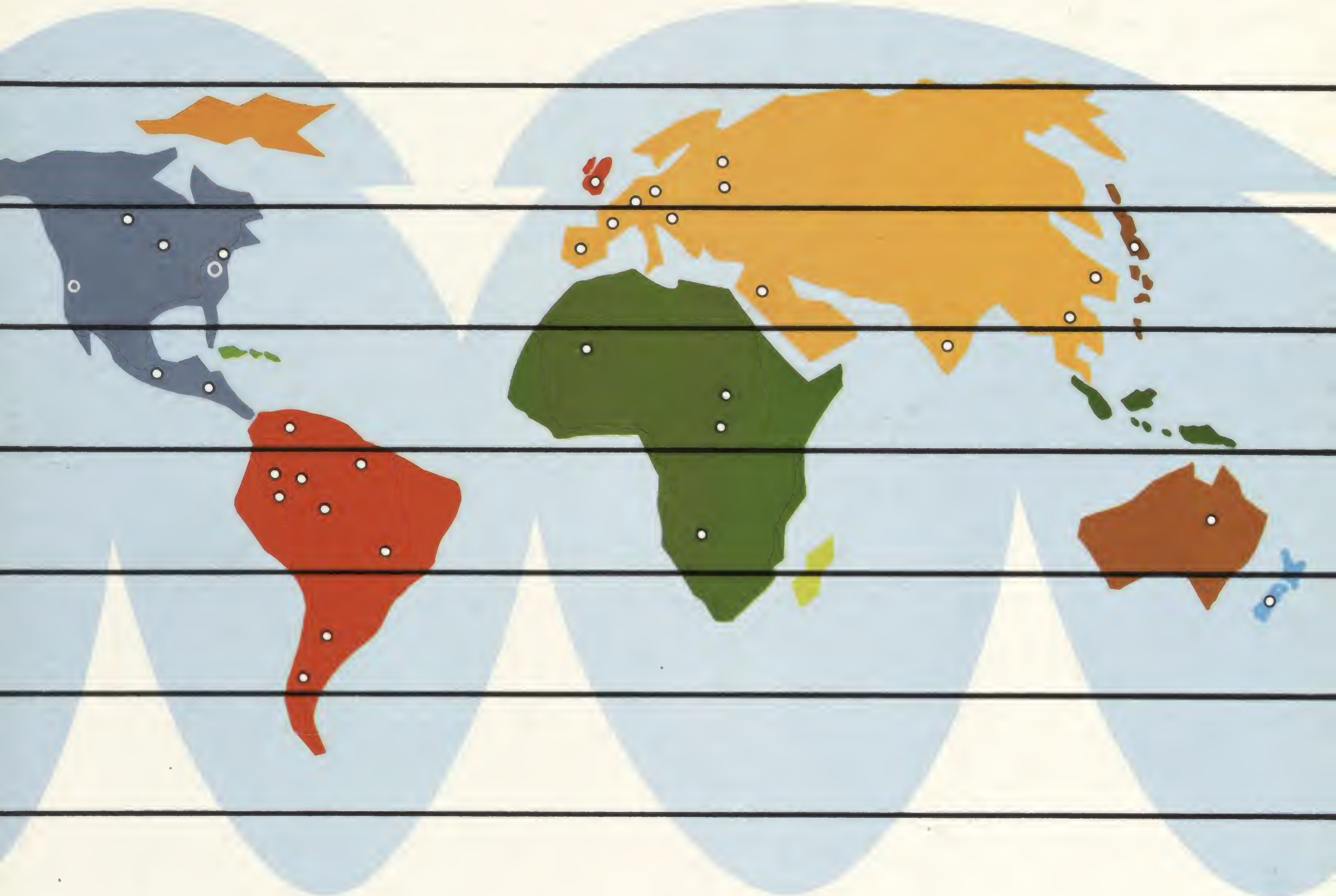


Heublein, Inc. Annual Report 1965

80 AND 100 PROOF. DISTILLED FROM GRAIN. STE. PIERRE SMIRNOFF FLS. (DIVISION OF HEUBLEIN), HARTFORD, CONN.

GROUCHO MARX, STAR OF STAGE, SCREEN AND TELEVISION.

IF THEY DON'T SERVE SMIRNOFF, BRING YOUR OWN!

Do it Groucho's way. Make sure the barman or your host gets the message—it's *Smirnoff* you want. For dryer Martinis. For more delicious Screwdrivers or Bloody Marys. For the smoothest drink on-the-rocks. Smirnoff is the crystal clear liquor that's filtered through 14,000 pounds of activated charcoal. Smirnoff is the flawlessly smooth vodka that mixes perfectly with anything that pours. So name your brand when you name your drink. Tell 'em Smirnoff—or else!

Always ask for Smirnoff® VODKA *It leaves you breathless®*

DIRECTORS

Gerson K. Bernstein
Frederick E. Chapman
Vice Chairman
Mary G. Falvey
Peter M. Fraser
Ralph A. Hart
President
Ed W. Kelley
Executive Vice President
Thomas D. Mann

John G. Martin
Chairman
William H. Mortensen
Frances Heublein O'Dell
Joseph A. Prochaska
Richard Rapport
Lester E. Shippee
Robert L. Trescher
J. Harold Williams

EXECUTIVE COMMITTEE

Frederick E. Chapman
Peter M. Fraser
Ralph A. Hart
Ed W. Kelley

John G. Martin
William H. Mortensen
Lester E. Shippee

OFFICERS

Chairman
John G. Martin
President
Ralph A. Hart
Executive Vice President
Ed W. Kelley
Senior Vice Presidents
Christopher W. Carriuolo
Thomas McMaster
Joseph A. Prochaska
Vice Presidents
George W. E. Baldwin
William W. Behrman
Paul R. Dohl
William A. Kilby
Edward F. Murphy
Richard F. Nelson
Fred R. Nye
Dr. John B. Rehm
John M. Tyson, Jr.

Secretary
Mary G. Falvey

Treasurer
John A. Henry

Controller
John J. Moran

Assistant Secretaries
Leo Facciola
Charles E. Karl
Graham K. Muirhead
Henry J. Rogers

Assistant Controller
John P. Willis

TRANSFER AGENTS

The Bank of New York
48 Wall Street
New York, New York 10015

Continental Illinois National
Bank and Trust Co. of Chicago
231 So. LaSalle Street
Chicago, Illinois 60690

REGISTRARS

Morgan Guaranty Trust Co.
of New York
23 Wall Street
New York, New York 10015

The Northern Trust Company
50 So. LaSalle Street
Chicago, Illinois 60690

HEUBLEIN HIGHLIGHTS

	1965	1964
Net sales	$165,595,108	$135,848,285
Income before income taxes	15,396,678	12,329,515
Income taxes — federal and state	8,021,000	6,515,600
Net income	7,375,678	5,813,915
Per share	1.50	1.21
Cash dividends — per share	.75	.60
Working capital	27,208,176	24,305,631
Long-term debt	1,403,000	2,416,000
Stockholders' equity	38,374,411	32,367,767
Per share	7.81	6.74
Number of stockholders at June 30	13,606	11,440

RALPH A. HART ELECTED CHIEF EXECUTIVE OFFICER

President Ralph A. Hart was elected Chief Executive Officer of the Company on June 3, 1965.

John G. Martin, who had been Chief Executive Officer, continues as Chairman of the Company and Chairman of the Executive Committee.

TO OUR STOCKHOLDERS:

We are pleased to report that for the sixth consecutive year the Company has established new records in sales and earnings. Net sales for fiscal 1965 totaled $165,595,108, up from $135,848,285, a gain of 21.9 percent over the previous year. Even more significant was the 26.9 percent increase in earnings, these rising to $7,375,678 or $1.50 per share compared to $5,813,915, or $1.21 in the previous fiscal year. These gains can be attributed to particularly effective marketing efforts. All four of our leading products, Smirnoff Vodka, Heublein Cocktails, A.1. Sauce and imported Harvey's Bristol Cream Sherry contributed importantly to sales and profits for this year. Arrow Liqueurs, which is now a Division of Heublein, Inc., also made a significant contribution to this record year.

During this year, we terminated arrangements with Guinness and L. Rose & Co. by which we had been acting as their sales agents in this country for Guinness Stout and Rose's Lime Juice. It is our policy in the matter of imported products, to undertake full marketing functions rather than to act merely as sales agents.

In October the Board of Directors voted a 33 percent increase, from 15 cents to 20 cents, in the regular quarterly dividend. The new dividend was paid January 4, 1965. The dividend increase reflects management's strong confidence in the Company's future and its policy of retaining part of the Company's increased earnings for future growth while also paying part of the increases to our stockholders.

During the year we had the good fortune to acquire Vintage Wines, Inc., of New York. This Company is now a division of Heublein, Inc. Vintage's most important product is Lancer's Crackling Vin Rose.

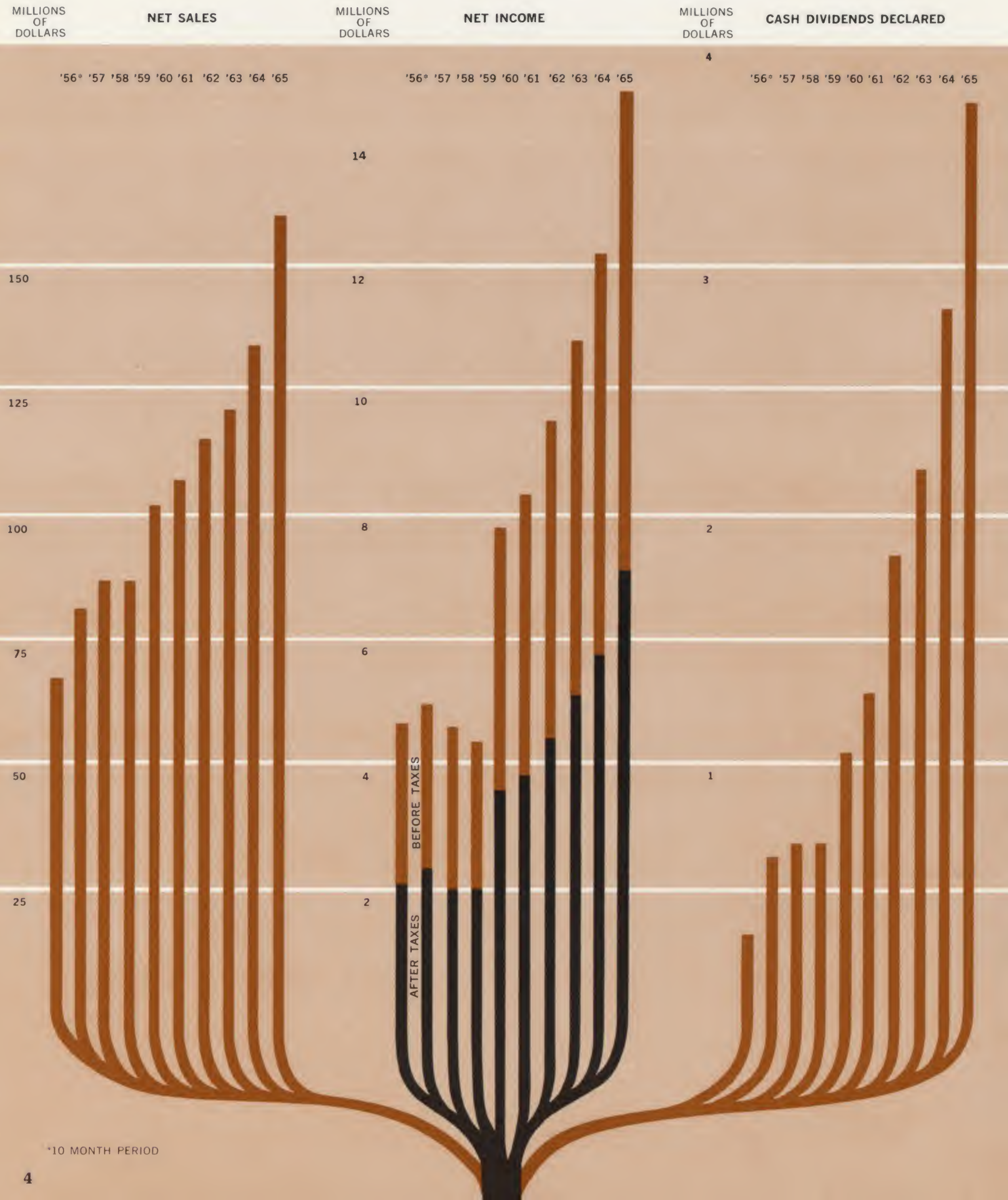
On January 7, Robert L. Trescher was elected to the Heublein Board of Directors. Mr. Trescher is a partner in the Philadelphia law firm of Montgomery, McCraken, Walker & Rhoads.

We have continued to strengthen our management team at virtually all levels. We now have a number of young executives working effectively as a result of our college recruitment and management group training program.

Summing up, our business has never been better. Sales and profits are significantly ahead this year. The year ahead looks most encouraging. Once again we will increase our investments in advertising and merchandising. With a stronger organization today than ever before, financially and in terms of people and procedures, we are indeed confident of the future. The record established this year could not have been realized without the full cooperation of all members of the Heublein team, our advertising agencies, and, of course, the support of our stockholders.

Chairman *President*

Heublein, Inc.
Corporate Growth 10 Year Review



*10 MONTH PERIOD

OUR BUSINESS—HERE AND ABROAD

LIQUOR DIVISION NEWS

The Heublein Liquor Division and particularly our leading product Smirnoff Vodka, continued to make important gains. During the fiscal year Smirnoff moved from sixth to fourth place according to Business Week's annual listing of the most popular distilled spirit brands. In June the Company launched the largest drink promotion it has ever undertaken, the Smirnoff Mule. This $2,000,000 marketing program has proved remarkably successful.

Important competition has entered the bottled cocktail field during the year with four types of the more popular cocktails. As we have said repeatedly, we welcome competition in that we believe the American public is not completely sold on the idea of bottled cocktails and another well advertised brand should help increase consumption. An increase of nearly 17% for the year in the sales of our own cocktails indicates that such is the case. Additionally, our advertising expenditure for bottled cocktails has been substantially increased.

Two new bottled cocktails were introduced by the Company, the Gimlet and the Margarita. The Gimlet is now in national distribution and it is expected that the Margarita will achieve national distribution this year.

The first "real improvement in gin in 100 years," was made when Heublein introduced nationally last February Milshire Charcoal Filtered Gin. Milshire is filtered through activated charcoal by the world famous Smirnoff Vodka process which we believe makes Milshire dryer and smoother than gin has ever been. Extensive consumer testing bears out this opinion and sales are gratifying.

Our active acquisition program has resulted in our acquiring the New York firm Vintage Wines, Inc. in January. Vintage's leading product, Lancer's Vin Rose, is the largest selling wine of its type and particularly meets our marketing requirements of providing consumer values of superior taste and convenience and lends itself to our type of distribution.

Last May, Harvey's of Bristol, Ltd., signed a new 10-year exclusive marketing contract for the U.S. importing of its products by Heublein. Since 1959, our first full year for Harvey's, sales have nearly doubled. Currently, sales of Harvey's products in this country are significantly ahead of last year.

In a significant and widely publicized legal decision, a U.S. Court of Appeals upheld an injunction obtained by Heublein restraining the David Sherman Corporation from using the trademark "Sarnoff" or any imitation of "Smirnoff" on its brand of vodka.

Construction has begun on the Company's new Midwest plant which will have a capacity of 2,500,000 cases per year. Costing $4,500,000, the new plant will provide major facilities for producing Smirnoff Vodka. The one and two-story facility will be built in a Detroit, Mich. suburb on a 12-acre site near Metropolitan Detroit's Industrial Expressway. Six bottling lines and substantial warehousing facilities are planned. In addition to Smirnoff, the Company will produce the Arrow Division line at this new location. Occupancy of the new building is scheduled for August, 1966.

FOOD DIVISION NEWS

A.1. Sauce, the Company's leading food product, continued its position of dominance in the meat sauce field. A.1. Sauce is the largest selling meat sauce in the country which includes any kind of "thin sauce," barbecue or cookout sauce. Its sales have more than doubled in the last five years and its use as an ingredient in cooking as well as a table sauce has contributed importantly to increased sales.

The advertising program in behalf of A.1. Sauce has been greatly expanded. Stressing the slogan, "The A.1. Touch Adds So Much," our television commercials effectively portray the appetite appeal of A.1. Sauce in the kitchen and on the table.

Last January the Company entered into a marketing agreement with the Coastal Valley Canning Company, Oxnard, California, by which it will market Snap-E-Tom tomato cocktail and Ortega "Salsa," a sauce made from green chiles, tomato, onion and spices. Snap-E-Tom is a spicy tomato cocktail that is popular in the 11 western states where it is currently marketed. It brings a new brisk taste to tomato and vegetable juice appetizers and makes an outstanding Bloody Mary simply by adding Smirnoff. Ortega Salsa is a versatile and delicious green

chile sauce for use with meat, omelettes and casseroles. With the strong marketing program which we will provide, these products will add substantial sales volume to our growing food division to further increase its share of total corporate sales. The marketing agreement with Coastal Valley Canning Company is an example of our policy only to market our own products or to function as a full marketing agency for other imported or domestic products. In this way we will keep the full, long-range benefits of our marketing efforts.

In both our food and liquor divisions extensive research and development projects are under way. We are constantly testing new products of our own and of our competitors, while developing new products of our own. Part of this program is rigorous pre-testing before offering a new product to the public. In this way we feel we are able to better assure success.

ARROW DIVISION NEWS

We are particularly gratified by the increased contribution to sales and profits made by the Arrow Division in the first full year this company has been part of the Heublein family following acquisition. Two of Arrow's leading products, McMaster's Scotch and McMaster's Canadian Whiskies, show remarkable strength in the rapidly growing import-in-bulk whiskies. Both products are sold primarily in the control states (through state-owned stores) and the vast majority of their sales are retail rather than to bars suggesting a healthy consumer demand, since, unlike bar sales, the buyer must state the brand by name.

Arrow Blackberry Brandy, the Division's leading product, continues to dominate the cordial field in the control states. Arrow's impressive line of other cordials and brandies all show healthy trends.

INTERNATIONAL DIVISION NEWS

Heublein's International Division continues to grow rapidly. During the fiscal year just ended net export sales reached $1,234,498, an increase of nearly 16% over the previous fiscal year. The export sales and royalties from licensees contributed $876,562 to pre-tax profit in this fiscal year compared with $678,413 the previous year, or an increase of more than 29%.

Since 1961 export sales have increased 99%, royalties have shown a gain of 145% and profits have increased 458%.

Currently Smirnoff Vodka is produced through licensees in 32 countries in the free world. Licensees began operations in six countries during the last fiscal year. These countries are El Salvador, Uruguay, Denmark, Austria, Greece and the Philippines. We expect that Smirnoff will be produced by licensees during this fiscal year in the additional countries of Ecuador, Puerto Rico, India, Nigeria, Liberia and the Ivory Coast.

Within the past year a new corporation, Heublein (Bahamas) Ltd., began operations to produce and distribute Smirnoff Vodka and other Heublein liquor products in the Caribbean area. This new operation in the Bahamas affords us the opportunity to ship Smirnoff Vodka and other Heublein liquors tax-free to customers such as ships' chandlers, diplomatic agencies and others. Various Heublein products are produced on a cost-plus basis by an associated company in Freeport, Grand Bahamas.

This operation became active in December, 1964, and shows an outstanding potential for additional business. Early in the present fiscal year Heublein Bahamas will produce Heublein Cocktails, which will be the first time our cocktails have been made outside the U.S. Plans have also been finalized for the production of Heublein Cocktails in several countries.

Sales of Smirnoff in South Africa have been accelerating faster than in any other country in the world, showing approximately a 50% increase in the last fiscal year. In order to keep up with consumer demand two additional producing plants were installed in South Africa in the last six months.

Canada, one of the first foreign licensees, is currently showing remarkable sales strength. In the last 10 years sales in Canada kept pace with those in the U.S., but in the last seven months of the last fiscal year sales have shot ahead 40%.

ABOUT OUR COVER

The Mercator World Map on our cover depicts the 32 countries in which Smirnoff is now produced under license. The plants indicated in the United States are located in Hartford, Connecticut; Burlington, Vermont; Detroit, Michigan and Menlo Park, California.

TONY MARTIN, INTERNATIONALLY FAMOUS SINGING STAR

"Most people can't make a Martini as good as this *–and I wish they wouldn't try!"* –*Tony Martin*

You'll find only the finest food and beverages aboard America's airlines and railroads. Naturally we're proud that *44 leading airlines all serve Heublein Cocktails.* And so can *you*—right in your own home. These delicious cocktails come in eleven varieties. Each one full strength, completely ready to serve. *All the liquor's in the bottle*—nothing to add but ice. Why wait for your next flight? Take some home tonight.

HEUBLEIN® COCKTAILS

11 Kinds–Better than most people make

JUST POUR ON THE ROCKS

11-TO-1 VODKA MARTINIS, 75 PROOF
VODKA MARTINIS, 60 PROOF
EXTRA DRY GIN MARTINIS, 67.5 PROOF
MANHATTANS, 55 PROOF
DAIQUIRIS, 52.5 PROOF
WHISKEY SOURS, 52.5 PROOF
VODKA SOURS, 52.5 PROOF
SCOTCH SOURS, 40 PROOF
OLD FASHIONEDS, 62 PROOF
SIDE CARS, 52.5 PROOF
STINGERS, 50 PROOF

HEUBLEIN, INC., HARTFORD, CONN.
ALSO ENJOY HEUBLEIN CORDIALS.


MAYPO
INSTANT
OAT CEREAL
Just Stir into Boiling Water
MAYPO
Artificially Flavored
BANANA
OAT CEREAL
SEE BACK LABEL EASY-TO-MAKE RECIPE
BANANA NUT BREAD
maltex
HOT toasted CEREAL
COOKS IN 3 MINUTES
KIDS!
MAYPO
OAT CEREAL
Cake-Mate
ICING
NEW!
Cake-Mate
ICING
Cake-Mate
ASSORTED
DESSERT DECORATIONS
NEW!
39¢
Have Fun
Cake-Mate
DESSERT DECORATIONS
Cake-Mate
DESSERT DECORATIONS
NEW!
READY TO USE
FOOD GEL
FOR DECORATING DESSERTS
Cake-Mate
writes like a pencil
NEW!
25¢
Cake-Mate
5 PIECES
NEW!
HAND MADE
Cake-Mate
SUGAR PARTY DECORATIONS
for CAKES • CUPCAKES • ICE CREAM
29¢
SHAKE WELL
BRAND'S
A1
STEAK SAUCE
THE ORIGINAL THICK SAUCE
IN GENERAL USE
throughout the world
HEUBLEIN, INC.
THE ESCOFFIER
SAUCE ROBERT
THE ESCOFFIER
SAUCE DIABLE
Escoffier
ESCOFFIER
Sauce Melba
ESCOFFIER • LONDON

BYRRH
Arrow
ALMOND
Irish Mist
Arrow
CACAO
Arrow
Anesone
HEUBLEIN
MANHATTAN
Arrow
HEUBLEIN
POPOV
VODKA
CHARCOAL FILTERED
Arrow
Arrow
CACAO
IMPORTED
McMaster's
CANADA'S FINEST
RELSKA
VODKA
BELL'S
8
IMPORTED
BV
BLACK VELVET
BLENDED CANADIAN WHISKY
BELL'S
12
SMIRNOFF
HEUBLEIN
IMPORTED
McMaster's
HEUBLEIN
WHISKEY SOUR
Bisquit
COGNAC
HARVEY'S
SMIRNOFF
VODKA
Arrow

Preview of Holiday Gift Packages

Heublein, Inc.

CONSOLIDATED STATEMENT OF INCOME

Years ended June 30, 1965 and 1964

	1965	1964
Net sales	$165,595,108	$135,848,285
Cost of sales	121,502,669	99,574,843
Gross profit	44,092,439	36,273,442
Expenses:		
Selling and advertising	24,551,249	20,476,860
Administrative and general	4,256,997	3,484,657
	28,808,246	23,961,517
	15,284,193	12,311,925
Other income (deductions):		
Interest income	285,477	268,681
Interest expense	(159,511)	(208,733)
Miscellaneous — net	(13,481)	(42,358)
	112,485	17,590
	15,396,678	12,329,515
Provision for income taxes:		
State	670,000	543,000
Federal	7,351,000	5,972,600
	8,021,000	6,515,600
Net income	**$ 7,375,678**	**$ 5,813,915**

Provision for depreciation charged to income — 1965, $947,853; 1964, $856,420.

See accompanying notes.

Heublein, Inc.

CONSOLIDATED BALANCE SHEET . . . .

ASSETS

	1965	1964
Current assets:		
Cash, including time deposits of $1,750,000 in 1964 . .	$ 3,337,697	$ 5,106,551
Marketable securities, at cost (approximately market)	4,048,002	—
Investment in whiskey certificates, at the lower of cost or market	—	150,336
Accounts and notes receivable, less allowance for doubtful accounts	19,009,542	18,668,496
Inventories, at lower of cost (generally first-in, first-out) or market:		
Finished products	8,843,981	6,342,489
Products in process	987,640	636,678
Raw materials	5,486,973	5,223,520
Supplies	1,005,172	1,144,672
Prepaid expenses	547,812	324,557
Total current assets	**43,266,819**	**37,597,299**
Property, plant and equipment, at cost:		
Land	808,688	622,302
Buildings	6,383,747	5,959,246
Machinery and equipment	7,754,070	7,260,171
	14,946,505	13,841,719
Less accumulated depreciation	7,444,255	6,503,046
Net property, plant and equipment	**7,502,250**	**7,338,673**
Other assets	**967,593**	**796,735**
Trademarks and contracts, at cost less amortization (Note 1)	**1,851,787**	**552,315**
Goodwill, at cost less amortization (Note 1)	**2,563,296**	**2,310,406**
	$56,151,745	**$48,595,428**

See accompanying notes.

. . . . JUNE 30, 1965 and 1964

LIABILITIES AND STOCKHOLDERS' EQUITY

	1965	1964
Current liabilities:		
Accounts payable	$ 3,584,146	$ 2,416,875
Federal income tax	4,701,051	4,128,685
Accrued liabilities:		
Taxes, other than federal income tax	2,514,242	2,548,877
Salaries and wages	1,421,124	1,012,603
Other	1,839,120	1,613,794
Cash dividends payable	985,960	720,834
Long-term debt due within one year	1,013,000	850,000
Total current liabilities	**16,058,643**	**13,291,668**
Long-term debt due after one year:		
4-3/4% debentures (Note 2)	**1,403,000**	**2,416,000**
Deferred federal income tax relating to accelerated depreciation used for income tax purposes	**315,691**	**248,482**
Equity of minority stockholders in subsidiary company (Note 1)	—	**271,511**
Stockholders' equity:		
Capital stock:		
Cumulative preferred — without par value 500,000 shares authorized and unissued		
Common — par value $1 per share (Note 3):		
Authorized — 10,000,000 shares		
Issued — 5,037,754 shares (4,910,561 in 1964)	5,037,754	4,910,561
Paid-in surplus (Note 4)	15,300,307	12,658,590
Earned surplus	20,595,905	16,892,375
	40,933,966	34,461,526
Less: Cost of 124,650 shares of common stock in treasury (105,000 in 1964)	2,559,555	2,093,759
Total stockholders' equity	**38,374,411**	**32,367,767**
	$56,151,745	**$48,595,428**

See accompanying notes.

Heublein, Inc.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Years ended June 30, 1965 and 1964

	1965	1964
Balance at beginning of year	$16,892,375	$13,971,858
Net income	7,375,678	5,813,915
	24,268,053	19,785,773
Deduct cash dividends declared — $.75 per share ($.60 in 1964)	3,672,148	2,893,398
Balance at end of year	**$20,595,905**	**$16,892,375**

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Years ended June 30, 1965 and 1964

	1965	1964
Sources		
Operations:		
Net income	$ 7,375,678	$5,813,915
Charges not requiring funds:		
Depreciation and amortization	1,256,489	1,020,358
Other	67,209	56,058
Funds provided from operations	8,699,376	6,890,331
Sale of common stock	2,768,910	13,692
	$11,468,286	**$6,904,023**
Uses		
Cash dividends	$ 3,672,148	$2,893,398
Excess of cost of subsidiaries' stock over equity in net assets acquired, allocated to goodwill and adjustment for minority interest	659,033	1,662,623
Purchase of treasury stock	465,796	1,495,794
Additions to property, plant and equipment	1,161,217	1,773,581
Additions to trademarks and contracts	1,473,476	558,250
Reduction of long-term debt	1,013,000	850,000
Other	121,071	255,950
Increase (decrease) in working capital	2,902,545	(2,585,573)
	$11,468,286	**$6,904,023**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Acquisitions

Effective January 1, 1965, the Company acquired, for cash, all of the outstanding common stock of Vintage Wines, Inc. The net assets and results of operations of Vintage are not material in the consolidated financial statements and have been included therein since the date of acquisition.

Effective June 30, 1965, the Company acquired the minority interest (6.7%) in the common stock of Arrow Liqueurs Corporation.

The cost of the stock acquired in both of these transactions exceeded the equity in net assets applicable thereto as shown by the balance sheets of the two companies by an aggregate of $1,838,096 at the date of acquisition. Of this amount, $1,450,574 was charged to "Trademarks and contracts" and $387,522 to "Goodwill" in the Company's consolidated balance sheet. "Trademarks and contracts" is being amortized principally over 11 years and "Goodwill" over 20 years.

Note 2 — Long-term debt

On January 1 of each year, the Company is required to redeem $375,000 principal amount of the 4-3/4% debentures and an additional amount equal to 10% of the excess of consolidated net income (as defined in the indenture) for the preceding fiscal year over $1,000,000.

Note 3 — Stock options

Under the Company's "Restricted Stock Option Plan" adopted in 1958 and amended in 1961, options were granted to officers and key employees to purchase shares of the Company's common stock at prices not less than 95% of the fair market value. This plan provides that the term of any option may not exceed ten years and that options may not become exercisable earlier than one year after date of grant.

Options for the purchase of 159,149 shares were outstanding at June 30, 1965 (186,742 a year earlier) at prices ranging from $17.95 to $23.63 per share and averaging $18.97 per share. Options relating to 87,064 shares at prices ranging from $17.95 to $23.63 per share were exercisable at June 30, 1965. During the fiscal year 1965, no options were granted, options for the purchase of 27,193 shares were exercised at an average price of $18.83 per share and options for the purchase of 400 shares were terminated. At June 30, 1964, 182,210 shares were available for grant; at June 30, 1965, no further options could be granted under this plan.

In October 1964, the Company's shareholders approved a "Qualified Stock Option Plan" which complies with the Revenue Act of 1964. This plan will terminate on October 21, 1974 or may be terminated earlier by the Board of Directors. Under the new plan, options for the purchase of 500,000 shares may be granted at an option price of not less than the fair market value of the Company's common stock on the date of grant. The term of the options may not exceed five years. At June 30, 1965, options for the purchase of 59,000 shares had been granted and were outstanding under this plan at $26.38 per share. None of these options was exercisable. There were 441,000 shares available for grant at June 30, 1965.

Note 4 — Paid-in surplus

The increase of $2,641,717 in paid-in surplus consists of $484,754 representing the excess of option price over par value of 27,193 shares of common stock issued on the exercise of stock options and $2,156,963 representing the excess of proceeds less stock issuance expenses over the par value of 100,000 shares of common stock sold to the public.

Note 5 — Commitments

The Company has committed itself for the construction of a liquor production plant estimated to cost $4,500,000, of which approximately $500,000 had been spent by June 30, 1965.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Heublein, Inc.

We have examined the accompanying consolidated balance sheet of Heublein, Inc. and subsidiaries at June 30, 1965 and the related consolidated statements of income, earned surplus and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. and subsidiaries at June 30, 1965, the consolidated results of their operations and the source and use of their consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N. Y.
August 13, 1965

Heublein, Inc.

FIVE YEAR CONSOLIDATED FINANCIAL POSITION
at June 30

Current assets:	1965	1964	1963	1962	1961
Cash	$ 3,337,697	$ 3,356,551	$ 2,743,983	$ 3,163,892	$ 3,169,339
Time deposits	—	1,750,000	6,000,000	3,500,000	—
Marketable securities	4,048,002	—	1,000,000	1,700,000	2,490,556
Investment in whiskey certificates	—	150,336	1,068,504	1,068,504	592,862
Accounts and notes receivable	19,009,542	18,668,496	17,834,760	14,976,925	14,047,753
Inventories	16,323,766	13,347,359	9,127,079	9,659,027	10,248,922
Prepaid expenses	547,812	324,557	355,993	411,025	430,683
Total current assets	43,266,819	37,597,299	38,130,319	34,479,373	30,980,115
Current liabilities:					
Accounts payable	3,584,146	2,416,875	2,078,327	2,197,506	2,173,418
Federal income tax	4,701,051	4,128,685	3,606,562	3,089,515	2,431,371
Accrued liabilities	5,774,486	5,175,274	4,043,973	3,659,181	2,770,947
Cash dividends payable	985,960	720,834	733,253	481,973	386,874
Long-term debt due within one year	1,013,000	850,000	777,000	716,000	656,000
Total current liabilities	16,058,643	13,291,668	11,239,115	10,144,175	8,418,610
Working capital	**27,208,176**	**24,305,631**	**26,891,204**	**24,335,198**	**22,561,505**
Property, plant and equipment — net	7,502,250	7,338,673	6,363,143	7,032,483	6,677,422
Other assets, trademarks, contracts and goodwill	5,382,676	3,659,456	1,067,569	1,151,693	1,185,206
	40,093,102	35,303,760	34,321,916	32,519,374	30,424,133
Deduct: Long-term debt due after one year	1,403,000	2,416,000	3,239,000	4,016,000	4,732,000
Deferred federal income tax	315,691	248,482	153,564	40,706	—
Minority interest	—	271,511	—	—	—
Stockholders' equity	**$38,374,411**	**$32,367,767**	**$30,929,352**	**$28,462,668**	**$25,692,133**
Per share of common stock outstanding at end of year	$7.81	$6.74	$6.34	$5.85	$5.33

Heublein, Inc.

FIVE YEAR CONSOLIDATED RESULTS OF OPERATIONS
For Years Ended June 30

	1965	1964	1963	1962	1961
Net sales	$165,595,108	$135,848,285	$121,994,885	$116,141,949	$108,281,236
Cost of sales	121,502,669	99,574,843	89,499,769	85,792,834	80,418,739
Gross profit	44,092,439	36,273,442	32,495,116	30,349,115	27,862,497
Expenses:					
Selling and advertising	24,551,249	20,476,860	18,271,413	16,444,295	16,088,635
Administrative and general	4,256,997	3,484,657	3,709,848	4,110,553	3,204,579
	28,808,246	23,961,517	21,981,261	20,554,848	19,293,214
	15,284,193	12,311,925	10,513,855	9,794,267	8,569,283
Other income (deductions):					
Interest expense	(159,511)	(208,733)	(207,976)	(241,072)	(272,518)
Interest income	285,477	268,681	239,661	124,015	114,515
Miscellaneous — net	(13,481)	(42,358)	306,956	(81,741)	(9,870)
	112,485	17,590	338,641	(198,798)	(167,873)
	15,396,678	12,329,515	10,852,496	9,595,469	8,401,410
State and federal income taxes	8,021,000	6,515,600	5,830,000	5,188,000	4,587,000
Net income	**$ 7,375,678**	**$ 5,813,915**	**$ 5,022,496**	**$ 4,407,469**	**$ 3,814,410**
Number of shares of common stock outstanding at end of year (Note)	4,913,104	4,805,561	4,878,350	4,864,702	4,820,158
Net income per share (Note)	$1.50	$1.21	$1.03	$.91	$.79
Dividends declared per share:					
Cash (Note)	.75	.60	.45	.38	.27
Stock	—	—	—	1%	3%

Note: Adjusted as appropriate to give retroactive effect to stock dividends and stock splits.